

CARLSBAD TOURISM BUSINESS IMPROVEMENT DISTRICT (CTBID) BOARD

MINUTES

June 15, 2006

1:00 p.m

**1635 Faraday Avenue, Room 173B
Carlsbad, CA**

I. CALL TO ORDER: 1:00 p.m.

Chairperson April Shute called the meeting to order at 1:04 p.m.

II. ROLL CALL:

Madame Chair took roll call and six Directors were present; one Director, Mr. Frances Kauhaahaa, was absent. General Counsel Ronald Ball was absent and Deputy General Counsel Ron Kemp served in Mr. Ball's capacity.

III. APPROVAL OF AGENDA: June 15, 2006

The agenda for the June 15, 2006 meeting was approved by unanimous vote.

IV. APPROVAL OF MINUTES OF APRIL 11, 2006 MEETING

Mr. Stripe made a motion, seconded by Mr. Cima, to approve the minutes of the April 11, 2006 meeting. The motion was approved by unanimous vote.

V. AB # 0606-8 REVIEW RESPONSES TO THE REQUEST FOR QUALIFICATIONS/PROPOSALS – TOURISM PROMOTION AND MARKETING SERVICES AND CHOOSE THE ENTITY TO IMPLEMENT THE CTBID MARKETING PLAN

Mr. Jim Elliott shared a slide presentation relative to the two responses to the Request for Qualifications/Proposals that were received. He highlighted the following:

♦ Background

- The CTBID began operation on January 1, 2006
- \$1 is assessed per occupied room night to approximately 35 hotels totaling about 3,600 rooms
- Funds collected are to be used to promote tourism
- The CTBID Board of Directors responsibilities include: manage district operations; prepare a budget; prepare an annual report

- In order to accomplish those tasks the Board requires: marketing; tourist information; sales; and staff support
- In April 2006 the Board authorized distribution of an RFP for services
- The RFP responses were due back to the City in May 2006
- Two proposals were received: 1) Carlsbad Convention & Visitors Bureau (CCVB) for marketing, the Information Center and staff support function; and 2) San Diego North Convention & Visitors Bureau (SDNCVB) for group sales and staff support function.

♦ Revenue

- The estimated 2006-07 CTBID Revenue is \$867,240. The estimated fund balance as of June 2006 is \$371,482, which after payments leaves an estimated ending balance of \$83,984. The 2006-07 estimate is based on achieving a 66% occupancy rate. The actual occupancy rate for January through April has been 54%. If average occupancy rates do not increase to the 66% level, revenue for 2006-07 will fall well below the projected \$867,240.
- Prior funding to the Bureaus before the formation of the CTBID was \$408,000 to CCVB and \$100,000 to SDNCVB.

♦ Proposals

- Mr. Elliott summarized the proposals. CCVB bid is \$450,750 for Brand Management, \$272,190 for the Visitors Information Center and \$1 for Staff Support to the CTBID for a total of \$722,941. SDNCVB bid is \$314,344 for Group Sales and \$5,000 for Staff Support for a total of \$319,344. The grand total is \$1,037,285. He described the scope of services that each Bureau highlighted.
- Mr. Elliott reported there is a shortfall of \$170,045 which is the difference between the total of the proposals of \$1,037,285 and the total funds available for 2006-07. The estimated CTBID fund ending balance for 2005-06 should be approximately \$84,000. These funds may be used by the Board to fund one-time costs or programs, but should not be used to fund on-going services. He suggested that the Board may want to set aside a contingency fund for Board use in an amount of approximately 10% to 15% of annual revenue.

♦ Recommendation

- If the CTBID Board wished to proceed with contracting for services, staff recommended:
 - Award a contract to CCVB for marketing, Visitors Information Center operations, and CTBID staff support
 - Award a contract to SDNCVB for group sales
 - Establish not-to-exceed limits for both contracts to keep total spending for 2006-07 within projected revenues
 - Direct the CCVB and SDNCVB to return to the Board with a plan of expenditure for 2006-07 that falls within the contract limits

- Direct the new CTBID staff to coordinate the next Board meeting where the proposed service changes will be considered by the Board.
- Adopt Resolution No. 2006-5 approving an agreement with CCVB; adopt Resolution No. 2006-06 approving an agreement with SDNCVB; OR
- CTBID should provide direction to staff

Mr. Elliott shared several funding alternative scenarios. He cautioned the Board members several times that in no case can CTBID spend more than the funds available, and contractors must be prepared to reduce services if funds fall below projected levels.

Mr. Elliott expressed the desire for both Bureaus to develop measures of effectiveness and reporting contracted bookings. How to get visitors into the hotel rooms and convert the contact to bookings is a very important goal.

Mr. Elliott encouraged the Board to consider establishing a contingency fund and ensuring there is no shortfall in the budget before entering into agreements with the Bureaus.

Several Board members expressed concerns relative to measurement outcomes. They asked the two Bureau representatives to respond.

Ms. Cami Mattson, President and CEO of SDNCVB, highlighted items from the Bureau's proposal. The group sales plan focuses on converting 10,000 room nights into definite bookings for Carlsbad. They will hire a Carlsbad Business Development Manager to dedicate 100% efforts to establish new business in Carlsbad. They generate monthly activity reports and charts reflecting performance based on year-to-date actual numbers compared to goals and the previous year's performance. Other staff time devoted to Carlsbad will increase from 15% to 25%. The plan is to increase Carlsbad brand awareness in sales efforts through exclusive Carlsbad sales kit, trade show display, trade show sponsorship, online promotions, co-op advertising, and a client event.

Mr. Canepa asked both Bureau representatives to elaborate on how their proposal differs from the services they have provided in the past and how they will measure performance.

Ms. Mattson responded that converting 10,000 room nights into definite bookings will triple the current amount; the hiring of the new Manager whose efforts will be devoted 100% to Carlsbad; the current staff efforts devoted to Carlsbad will increase from 15% to 25%. Marketing and public relations efforts for hotel leads will increase from 30% to 40%. The current office manager would oversee the

administration aspects of the CTBID. SDNCVB currently has 10 public funding contracts that are renewed on an annual basis and they have never lost a contract.

Ms. Mattson explained several modes for reporting performance measures. The plan is to report bi-annually to the Board on contracted bookings and associated attendees into Carlsbad and report on business plan strategies to monitor pace and performance. Visitor spending will be tracked to determine overall economic impact. The effectiveness of the Internet programs and online bookings will also be measured.

Mr. Kurt Burkhardt, Executive Director of CCVB, responded that the Bureau intends to increase brand awareness and identity of Carlsbad in geographic regions offering the greatest potential for increasing the number of visitors to Carlsbad each year. A major campaign would target Phoenix, AZ and Las Vegas, NV which would include radio promotions and billboards endorsing Carlsbad attractions, lodging and retail components. The Bureau has introduced new content on the Internet including an online reservation system and an active Search Engine Optimization program.

Mr. Burkhardt also highlighted pay-per-click advertising, print media advertising by purchasing advertising in twenty-one publications of which fourteen are distributed on a regional basis in the Western states, and seven distributed nationally. The Bureau plans to issue a RFP to a number of qualified firms that have established themselves as leaders in destination branding. The Bureau has produced a four-panel, full-color destination brochure that is placed in 1,400 brochure racks throughout key markets in California and Arizona.

The Visitor Information Center provides lodging referrals to Carlsbad properties, to include resorts, hotels, motels, B&Bs, time shares and vacation rentals. Three full-time employees and one part-time employee, together with approximately 30 volunteers staff the Center. The CCVB representatives approached San Diego County this week for assistance in improving directional signage to the Visitor Center. Funds would include buying a portable informational kiosk that would be placed on Tamarack or Grand or State streets. It would hold maps, visitor guides and other promotional information. The target date for operation is late in the Spring of 2007.

Mr. Burkhardt described various measurements of success, which include Visitor Information Center activity, Visitor Guide distribution, website activity, leads generated through print advertising, several surveys and statistics relative to billboard and radio promotions.

Mr. Elliott asked how the Bureaus determine whether a contact they made or the marketing they did converted into occupancy for a hotel. Ms. Mattson explained when they attend trade shows, they track every lead until it converts into contracted business at which time the Bureau takes the credit. The information is entered into the computer system, follow-up phone calls and e-mail correspondence are routinely made. All of this information is compiled into history reports. They also provide an on-line hotel reservation system in order to track how many people booked rooms through the block of hotel rooms per the contract with an event manager.

Mr. Burkhart stated the CVCB is not directly involved with the sales. There is tracking information in the proposal they submitted. They send a 40-question survey that asks the person specific questions about their visit to Carlsbad. It is difficult to measure marketing results. The publications target a specific demographic. Many people request information on-line. There were 327,000 website visitors last year. They are conducting research in collaboration with CSU-San Marcos staff and students.

Action: Mr. Stripe requested more detail relative to optimizing bookings and contracts.

After considerable discussion, Mr. Stripe made a motion, seconded by Mr. Cima, to extend the current contracts with both CVCB and SDNCVB for a six-month period commencing on July 1, 2006 through December 31, 2006. The motion was approved 5-1, with Mr. Vallas voting no.

The current contract expires on June 30, 2006; Mr. Kemp advised the Board to hold a special meeting prior to that time to approve extensions to the contracts currently in place.

Action: Discuss direction for the remainder of the year at the August 31, 2006 meeting.

Action: Discuss measurements of success and set up criteria at the August 31, 2006 meeting.

Action: Add an additional meeting in November or December 2006.

Action: Encourage contractors to send their measurement ideas to staff as it relates to CVCB and SDNCVB. This information will assist the Board members in future discussions.

VI. SET DATE FOR NEXT MEETING

Action: A special meeting of the Board will take place on Wednesday, June 21, 2006, at 1:15 p.m. in Faraday 173A. The only Action Item will

be to approve the extension of the agreements with CCVB and SDNCVB.

Action: The next regular meeting will be held on Thursday, August 31, 2006, from 1:00 to 3:00 p.m. in Faraday Room 173A. An agenda item will be approval of the report that will be submitted to the City Council.

PUBLIC COMMENT

None.

ADJOURNMENT

Chairperson April Shute adjourned the meeting at 2:40 p.m.

Respectfully submitted,

Sheryl Keller
Recording Secretary